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C O N F I D E N T I A L SECTION 01 OF 02 CONAKRY 000406

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TAGS: [ECON](#) [EINV](#) [ETRD](#) [ECIN](#) [PGOV](#) [PREL](#) [GV](#)
SUBJECT: GUINEA'S ECONOMY TOO WEAK FOR CHINESE INVESTMENT

REF: CONAKRY 00363

Classified By: ECONOFF BRIANA WARNER FOR REASONS 1.4 (B) AND (D)

¶1. (C) Summary: In a meeting on July 9, Chinese Commercial Officer Liu Qi admitted that he sees no prospects for stability or increased Chinese investment in Guinea. He also claimed that recent reports detailing massive Chinese investments in the Guinean economy are false. He believes that the international community's push for democracy is misguided and self-interested. He concluded by saying that, for the sake of economic stability, Guinea needs a strong group of leaders who could steer the country in the right direction. The Chinese DCM, however, recently told Charge that China did not recognize the military junta, favored elections in Guinea, but did not see a return to civilian rule in the near future. END SUMMARY.

AN INVESTMENT RUSE

¶2. (U) EconOff met with Liu Qi, the Chief of the Chinese Embassy's eight person Commercial section, to discuss recent reports of large-scale Chinese investment in Guinea. According to several CNDD press releases, China Investment Holding Company and Sino-Angolan Sonangol recently signed an agreement to invest nearly \$2.2 billion USD (nearly half of annual GDP of Guinea) in public infrastructure. According to the CNDD, these two companies agreed to invest in water infrastructure, power generation, public housing, public transport (including construction of a subway), a fishing port, agriculture, and tourism.

¶3. (C) Several Embassy sources said that the actual agreement was for an amount well below the official \$2.2 billion USD and, in fact, was worth much closer to \$78 million USD. Sources also noted that the Chinese delegation may be interested in investing in offshore oil exploration contracts.

¶4. (C) Qi told EconOff that the Chinese Embassy was caught unaware by the announcement. According to Qi, the first time that the Chinese Embassy even found out that the delegation was in Guinea was when the CNDD distributed its press release. Apparently, the Chinese delegation was brought to Guinea by the Guinean Ambassador to China as a way to court investment and introduce possible investors to the junta government. When the Chinese Ambassador requested to meet with the delegation, their Guinean minder allegedly refused the meeting.

¶5. (C) Qi explained that the goals of the proposed investment plan, focused on finance for major infrastructure projects, would be impossible in Guinea. He pointed out that the

suggested \$215 million USD for an entire new transportation system in Conakry is almost laughable, as is the proposed \$178 million USD to rework the major power generation plants for the capital city.

INVESTMENT CLIMATE TOO WEAK FOR CHINESE BUSINESS

¶16. (C) When EconOff asked Qi about general Chinese business interests in Guinea, Qi replied that he did not see any opportunities in Guinea for Chinese investment. Having worked at the Embassy since 2001, Qi noted that nearly every prospective investor that has come to explore possibilities in Guinea has ultimately decided to invest their money elsewhere. According to Qi, Chinese businesses have immense possibilities in Guinea's import market, as inexpensive Chinese goods are popular in low-income countries. However, when it comes to large capital investment in the country itself, the interest is not evident. Without any transport infrastructure or any semblance of rule of law or individual accountability to the government, he said, the investment climate is just too unattractive and problematic. When asked if he sees Guinea's investment climate changing in the future, he adamantly said, "No - there is no hope for this country."

DEMOCRACY IS FOR THE SELF-INTERESTED

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¶17. (C) While questioning the idea of supporting elections in Guinea, Qi argued that what Guinea needs is strong, non-democratic leadership that can guide the country into more sound and stable economic policies. In his opinion, the Guinean people are incapable of electing their own leader.

¶18. (C) "Guinea," he said, "is not ready for democracy." The level of education is too low and the stakes too high - especially in the realm of regional stability. He went on to argue that countries that want democracy in Guinea are self-interested and do not have the best long-term interest of Guinea and West Africa in mind.

¶19. (C) He also told EconOff that while he hopes to see a small group of strong leaders guide Guinea into sound economic policy, he is doubtful that there is any such group who could assume this role. Until there is some semblance of an educated class in Guinea, he doesn't see the capability to form a small group of leaders with the country's best interest in mind. When asked what he thinks should happen in the absence of such a group he replied, "Nothing can happen. There is no hope for leadership or stability for Guinea in the near future."

COMMENT

¶10. (C) If what Qi says is true, he has very little hope for increased Chinese investment in Guinea. Despite China's reputation for involvement in unstable economies with unsavory governments in Africa, it seems that the Chinese Ministry of Commerce has little interest in pursuing further investment in Guinea. Allegedly, Qi actively alerts any interested Chinese party that the situation in Guinea may make investment in the country too risky to be profitable. Qi believes that the only market opportunity that China has is for cheap exports to Guinea's poor consumer base.

¶11. (C) His opinions on future Chinese involvement in Guinea refute the supposition that USG policy will force the CNDD into alliances with the GOC (reftel). It appears that the Chinese Ministry of Commerce has no interest in pursuing

closer relations with the GOG nor does it see those alliances becoming stronger in the future.

¶12. (C) Qi statements, however, are at variance with what the Chinese DCM recently told the US Charge. DCM Yuanzhu Liu told Charge that China, which does not recognize the ruling CNDD, favored elections in Guinea "but wants to see the Guineans do it themselves." He feared, however, that the CNDD was looking for excuses to delay election and that the military would remain in power into the foreseeable future. According to Liu, the Chinese Ambassador has 'on occasion' met unofficially with CNDD president Moussa Dadis Camara, and in these meetings Dadis requested Chinese assistance with infrastructure. "He does not seem to understand the cost of these projects," said Liu. He added that China had suspended its financial assistance to Guinea, and has dramatically reduced its contact with the government.

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